

UConn HEALTH

Appropriations Committee Testimony

Dr. Andy Agwunobi,
CEO of UConn Health

February 15, 2017

Good morning.

I am Dr. Andrew Agwunobi, the Chief Executive Officer of UConn Health.

Joining me today is Jeff Geoghegan, Chief Financial Officer of UConn Health.

I want to begin by thanking you for your support of our work in teaching, research and patient care. It is making a difference to the people of Connecticut, in many ways, every day. I would like to share several illustrations:

- 1) The reputation and quality of the UConn School of Medicine and School of Dental Medicine are strong. The two programs comprising almost 600 active students and 800 residents, a **pipeline for future doctors and dentists for the State** and the region.
- 2) In addition to training the next generation of providers, we have been successful in **recruiting new faculty members** with more than 75 joining us in the last eighteen months. Recent hires – collaborations with Connecticut Children's Medical Center and The Jackson Laboratory -- include a world-renowned pediatric endocrinologist, the world's top researcher of rare genetic liver disease, and a leading pediatric cancer researcher and a genomics pioneer.
- 3) The **collaboration with the Jackson Lab** continues to mature in many different ways. For example, twelve (12) joint grants have been awarded to date, totaling more than \$11 million in external funding to advance biomedical research efforts. The Center for Single Cell Genomics opened in August of 2015 and together, in June, we will host a Congress on our Farmington campus. The event will bring together researchers and students from multiple disciplines and professions, from the U.S. and other countries, to discuss the ethical, legal and social implications of genomic research.

- 4) As envisioned, the State sponsored Bioscience Connecticut initiative has not only created a strong platform for economic growth for the State, it has driven increases in construction and construction related jobs. Through December 2016, over 5,900 construction related jobs have been created, and **83% of construction contracts have been awarded to Connecticut companies, with a value of more than \$371 million.**

Also, many of the Bioscience Connecticut construction contracts have been awarded to Connecticut's small businesses. These small businesses have received 38% of the Bioscience contracting dollars, and our in-state minority-owned, women-owned and disadvantaged businesses have received 23% of the dollars – far surpassing the State's requirements and our goals in both areas. **UConn Health has awarded nearly \$170 million in contracts to Connecticut small and minority-owned companies.**

- 5) In May, we opened the University Tower addition to John Dempsey Hospital. While rave reviews by visitors, patients and staff are nice, success can be measured in other ways. Throughout the building and transition, quality and patient safety have been delivered at such a high level that we again earned an "A" from the Leapfrog Group. Additionally, UConn John Dempsey was recognized for having the **highest raw patient safety and quality score of any hospital in Connecticut, AND the State of New York.**
- 6) Our commitment to serve those in need also continues as nearly one in four of all patients treated are Medicaid patients; some of the most vulnerable patients in our State. Our Dental School remains the **single largest provider of dental services to Medicaid patients in Connecticut.**
- 7) With much of the construction at or near completion, the modernization of UConn Health is now focused on implementation of our enterprise-wide electronic health record. Known as **UConn HealthONE**. We are 40% complete on this 23 monthly journey, on target to go live with this in late April, 2018. We are grateful for the State's partnership in this mission critical effort.

For all these successes we are thankful for the unwavering support of the State of Connecticut. UConn Health receives approximately 23% of our revenues from the State, which supports 34% of our workforce. The remaining 77% of our revenues, must be generated from clinical operations, research grants, philanthropy, tuition and fees, and other contracted services we provide.

As a State entity and a healthcare organization, it is not surprising, that UConn Health faces similar financial challenges to other State agencies and health care institutions across Connecticut.

To illustrate, for FY 2017, **UConn Health is budgeted to end the year with a \$15.9 million deficit;** the same place where we ended last year. This level of losses is not

sustainable for a small academic health system that provides patient care, engages in public research and teaching, and is striving to deliver on the promise of Bioscience CT.

Despite the tough economic times, we have made economic progress in each of the last three years through a combination of **expense reduction, investment in growth opportunities** and the **hard work and creative problem solving** of our people.

Because we have already implemented many difficult cost-cutting and revenue enhancement initiatives over the past several years, it becomes more difficult to find new, significant cost-savings without significantly impacting the organization. The **proposed cut to UConn Health amounts to \$13.2 million compared to our appropriation last year** (\$7.5m from the block grant and \$5.7m in associated fringe reimbursement). This cut will add to the already existing deficiency at UConn Health.

In conclusion, we know you have extraordinarily difficult choices to make in the coming months about the State's budget. Like you, serving the State of Connecticut and its citizens are our top priorities.

We are this State's only public academic health system; a system upon which hundreds of Connecticut students rely upon for an excellent and cost-effective medical and dental education, and upon which our most vulnerable citizens rely for great care.

The State has made **tremendous investments in UConn Health** that have turned us into **a cutting-edge facility and a critical economic engine and partner for the State**. Your investments in and vision for UConn Health have also laid the foundation for a **strong healthcare and bioscience economy for Connecticut's future**.

With this in mind, I ask for your support to protect the viability of your public academic health system and to do what you can to **minimize cuts to UConn Health** so that we can continue to deliver on the investments and provide Connecticut and its people with excellent service.

Please note that, in addition to my testimony, I have also provided the Committee with a Power Point deck that includes information about UConn Health's budget and our organization as a whole.

Thank you all for your leadership; I am happy to answer any questions that the Committee may have.



UConn Health FY17 Budget Gap (\$M)

UConn Health is budgeted to end FY17 with a \$15.9 million deficiency

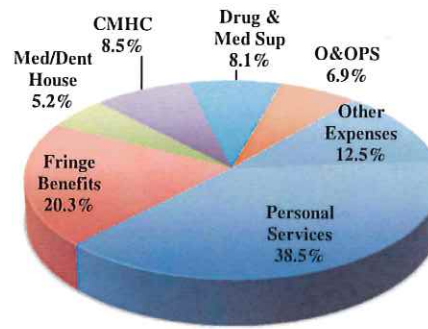
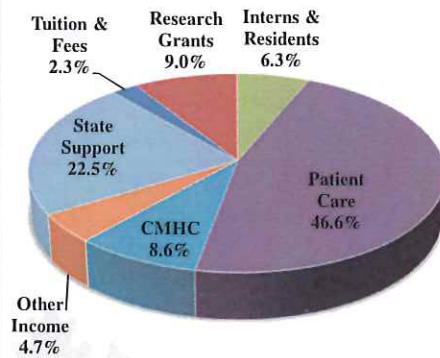
FY2016 Forecas:	(12.8)
Reflect the current State Support	(23.3)
New Building and maintenance expense	(9.6)
New Employee and Fringe expense	(8.9)
Projected Deficit	\$ (54.6)
Staffing Efficiencies	15.2
Departmental review	1.2
Clinical Revenue	15.9
Managerial Furlough	0.4
Print services and minor equipment	1.1
Medical Supplies and Other expenses	1.3
Research revenue	2.1
Tuition	1.5
Total Changes	\$ 38.7
Revised Funding Gap	\$ (15.9)

*In order to break even, UCH plans to reduce its capital spending by \$15.9M

UConn Health FY17 Budget

Revenue Budget \$991.4M

Expenditure Budget \$1,007.3M



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Governor's Proposed FY18 State Appropriation UConn Health

	Biennium Request FY2018	Appropriation FY2017	Governor FY 2018 Proposed (2/7/2017)
Appropriation	136,428,293	134,539,312	127,042,332
Fringe Reimbursement (at 69% & JDH)	101,694,054	101,283,032	95,569,983
TOTAL STATE SUPPORT	238,122,347	235,822,344	222,612,315
APPROPRIATION CUT - COMPARED TO FY17 APPROPRIATION			(7,496,980)
Associated fringe cut (in dollars) at 69%			(5,713,048)
TOTAL STATE SUPPORT CUT (in dollars)			(13,210,028)
% Cut (Approp only)			-5.6%
% Cut (Total State Support including Fringe Benefits)			-5.6%

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State Support

UConn Health has sustained \$49.2 million in reductions, lost fringe reimbursement and fund sweeps since FY10.

UConn Health - Reductions, Fringe (lost) and Fund Sweeps (\$M)					
	Appropriation	Reduction*	Lost Fringe due to Reduction	Fund Sweeps	Total Cut
FY10	119.0	(1.2)	(0.5)	(10.0)	(11.7)
FY11	119.3	(0.2)	(0.1)	(10.0)	(10.3)
FY12	109.7	(1.2)	(0.6)	-	(1.8)
FY13	112.7	(4.1)	(2.0)	-	(6.1)
FY14	125.5	(0.5)	(0.3)	-	(0.8)
FY15	135.4	(4.2)	(2.4)	-	(6.6)
FY16	144.3	(0.4)	(0.9)	(4.0)	(5.3)
FY17	134.5	(4.0)	(2.6)	-	(6.6)
TOTAL	\$	(15.8)	\$ (9.4)	\$ (24.0)	\$ (49.2)

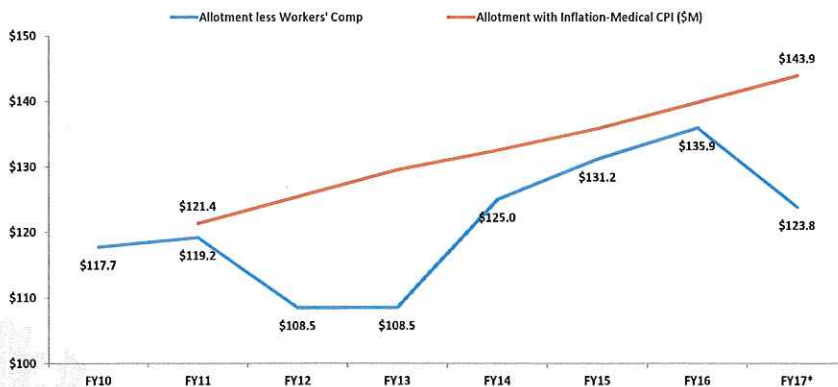
*Reduction = lapses, rescissions, fund sweeps and deficit mitigation

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UConn Health State Appropriation

State appropriations have not kept pace with inflation. UConn Health Clinical revenues, expense reductions and operational efficiencies must make up for the loss of funding.



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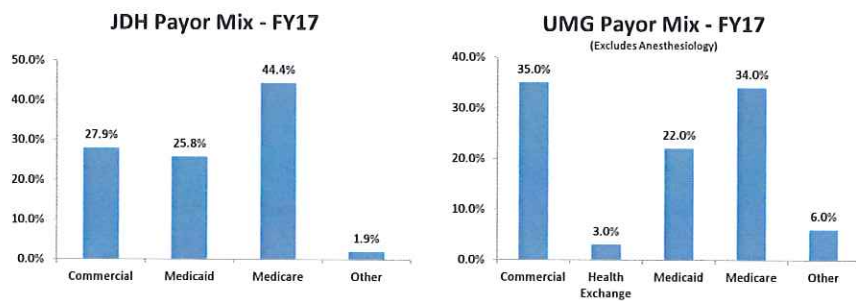
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UConn Health Net Patient Care Revenue

Net Patient Care Revenue represents 46.6% of UConn Health's total revenue.

FY17 Clinical Revenue Budget(\$M)	FY17
John Dempsey Hospital (JDH)	\$363.8
UConn Medical Group (UMG)	\$90.1
Dental Clinics	\$10.4
Other Patient revenues	\$0.3
Total FY17 Clinical Revenue Budget	\$464.6

UConn Health Clinical Revenue by Payor



UConn Health FY17 Operating Budget Risks

- Appropriation reductions, lost fringe, and fund sweeps
- Unsettled collective bargaining agreements
- Workers' Compensation expenses
- Payor mix and volume
- Provider based reimbursement
- Medicaid Reimbursement
- New University Tower– minimal historical operating data
- Hybrid Plan employee conversion – SAG award – IRS determination letter

Extensive Cost Savings Initiatives and Strategic Growth/Affiliation

Extensive Cost Savings Efforts:

Financial Improvement Project 1.0 – Berkley Research Group – Total Savings **\$13.7M** (FY2014-15)

- Clinical Initiatives - Decreased Length of Stay & Readmission Rates, Utilization Reviews, Increased Physician Productivity
- Revenue Initiatives - Coding Improvements, Revisions to Point of Collection policy
- Workforce Initiatives - Nursing staffing grids using volume to approve positions
- Non-Labor - Extensive contract improvements yielding savings on medical devices, pharmaceuticals, lab supplies

Financial Improvement Project 2.0 – Total Estimated Savings **\$5.1M** (FY2017 July-October)

- Clinical Initiatives - Decrease Length of Stay in OB, Cancer, 30 day readmissions, C-sections, Partial hospitalization; Increase Provider Productivity, Use of Scribes, onboarding/ interview savings, coding and revenue enhancements
- Revenue Initiatives - Coding & documentation optimization, collection process improvements, Managed Care Contract and revenue recovery efforts
- Workforce Initiatives - Workforce tracker implemented to review all clinical positions
- Non-Labor – Savings negotiated in Pharmacy, Laboratory, Surgery, Radiology
- Workers' Compensation – Incident Review

Future Cost Savings:

Financial Improvement Project 3.0A and 3.0B – Total Estimated Savings **\$2.8M** (FY2017 & FY18)

Strategic Growth Initiatives:

- 73 Clinical Faculty Hires January 2015 to Present
- Acquired 3 Primary Care Sites
- Launched Family Practice Clinic/Department on Farmington Campus
- New Multi-Disciplinary UConn Health Location - Canton, CT
- Strengthened Existing Multi-Disciplinary sites
- Began Partnership with HHC (ACO)

UConn Health

Who We Are

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Connecticut's Only Public Academic Health Center

Education →

School of Medicine
School of Dental Medicine
Graduate School

Patient Care →

John Dempsey Hospital
UConn Medical Group
University Dentists

Biomedical Sciences and Research →

Residency Training → (Graduate Medical Education)



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A Worthy Investment

Critical Source of the State's Health Care Professionals – Educating the Next Generation

- 37% of School of Medicine graduates practice in the State
- 42% of School of Dental Medicine graduates practice in the State
- 80% of the School of Medicine and 65% of the School of Dental Medicine first year students this year are Connecticut residents
- Under-represented minorities comprise 20% of the School of Medicine and 20.4% of the School of Dental Medicine's 2016 first year class

Economic Driver for the Region and the State

- Catalyst for new biomedical and biotech jobs, e.g. Stem cell, genomics and personalized medicine
- Generates nearly \$1.5 billion in overall economic impact to the State
- State-of-the-art incubator space for small startup businesses
- Robust clinical enterprise

Major Employer in the State

- Over 5,500 employees from 155 different Connecticut towns, including West Hartford, Bristol Farmington, New Britain, Avon, Hartford, Newington, Southington, Plainville, Berlin, Burlington, Manchester, Waterbury, Windsor, Simsbury, Unionville, Wethersfield, Bloomfield, Glastonbury, East Hartford, Canton, Meriden, Middletown, Cheshire, Enfield, Wolcott, South Windsor, New Haven, Torrington, Norwich, Woodstock, Bridgeport and points in between.

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Education

School of Medicine

- 403 Students
- 664 Residents

School of Dental Medicine

- 179 Students
- 108 Dental Residents

Highlights

- Shared Medical & Dental Curriculum in Years 1-2
- Early Clinical Exposure
- Curriculum Reform
- Team-Based Learning
- Outstanding National Boards Performance
- Outstanding Residency Placement
- Leadership in Undergraduate & Graduate Medical Education
- Continuing Medical Education – Accreditation with Commendation
- Statewide Community Partnerships & Community Outreach Programs

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Education

The Graduate School

- 151 PhD Students
- 158 Masters Students
- 18 Graduate Certificate Students
- 7 Non-Degree Students



Programs

Public Health (PhD, MPH)

- Social & Behavioral Health
- Occupational & Environmental Health

Clinical & Translational Research (MS-CTR)

- Masters Degree

Biomedical Science (PhD)

- Cell Analysis & Modeling
- Cell Biology
- Genetics & Developmental Biology
- Immunology
- Molecular Biology & Chemistry
- Neuroscience
- Skeletal Biology & Regeneration

Dental Science (MDS)

- Masters Degree

Combined Degree Programs

MD

- MD/PhD
- MD/MPH
- MD/MBA

DMD

- DMD/PhD
- DMD/MPH

PhD

- PhD/MBA

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Patient Care/Clinical Services

Key Service Statistics (FY16)

- 8,900 inpatient discharges
- 1,015,637 outpatient encounters
- 78,000 dental clinic visits at UConn Health sites

All UConn Health clinical care venues serve as sites for teaching and learning and are essential for attracting talented faculty who teach, do research and provide patient care.

- **John Dempsey Hospital (JDH):** an acute care university teaching hospital licensed for 234 beds
- **UConn Medical Group (UMG):** one of the region's largest multi-specialty faculty clinical group practices
- **University Dentists and UConn Dental Clinics:** Connecticut's largest single provider of dental care for the under- and uninsured

Locations

- In addition to the main campus in Farmington, UConn Health provides outpatient services in 9 locations: Avon, Canton, E. Hartford, Plainville, Putnam, Simsbury, Southington, Storrs Center, and W. Hartford.
- UConn Dental Clinics are located in Farmington, West Hartford and Hartford; and our residents and faculty also provide services at 15 other sites across the state.

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An Essential Healthcare Provider to Connecticut's Underserved Citizens

UConn John Dempsey Hospital

- Medicaid inpatient days as a percentage of total inpatient days comprised 23% (of 38,327 inpatient days)

UConn Medical Group

22% of visits were Medicaid patients

Service to
Medicaid
Patients
FY16

UConn Dental Clinics

- Single largest provider of dental services to Medicaid recipients and the under- and uninsured
- 57% of patient visits to the UConn Health Dental Clinics are Medicaid clients (locations in Farmington, West Hartford and Hartford)
- In addition to the 3 UConn Health Dental Clinic sites, services are provided in 15 sites across the state (New Britain, East Hartford, Manchester, Middletown, Waterbury, New Haven, Farmington, Willimantic, Storrs, Bridgeport, and Torrington)

Correctional Managed Health

- UConn Health has also been providing medical, mental health and pharmacy services to inmates in Connecticut correctional facilities since 1997.

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Residency Training/Graduate Medical Education Partner and Resource to Other Hospitals

- 773 residents (664 medical and 108 dental) who train and provide patient care in local hospitals and dozens of community settings in more than 20 communities across the state
- UConn Residency Programs are critical to ensuring the future medical and dental workforce in our State, contribute to the quality of healthcare service in the participating hospitals, and bring in additional Medicare reimbursement revenues to Connecticut

Hospitals FY 15	Graduate Medical Education & Indirect Medical Education Reimbursement
CT Children's	\$2.9 million
Hartford Hospital	\$45.7 million
Hospital of Central Connecticut	\$7.0 million
UConn John Dempsey Hospital	\$27.7 million
St. Francis Hospital	\$27.3 million
TOTAL	\$110.6 million

UConn residents provide care in: Hartford, Bridgeport, New Britain, Middletown, East Hartford, Manchester, Waterbury, Norwich, New Haven, Derby, Willimantic, Putnam, Torrington, Farmington, West Hartford, Meriden, Suffield, Cheshire and Newington

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A Resource to the Community and the State

Community Service

UConn physicians, dentists, residents, medical and dental students provide thousands of hours of free healthcare to Connecticut's most medically vulnerable citizens, for example:

- Migrant Farm Worker Clinic
- South Park Inn Medical Clinic (Hartford)
- South Marshall Street Homeless Clinic (Hartford)
- YMCA Adolescent Girls Medical Clinic (Hartford)
- Camp Courant Dental Screening Program
- Covenant House (Willimantic)
- Urban Service Track (Provides 50 community-based programs annually throughout CT)

Building and Developing the Healthcare Provider Pipeline

Initiatives to grow the number of under-represented minorities enrolled in healthcare education and increase the number of healthcare professionals practicing in urban settings and other areas across the state:

- AETNA Health Professions Partnership Initiative
- Area Health Education Center program (AHEC), based in Farmington with 4 regional centers providing services throughout CT. Five offices – Hartford, New London, Shelton, Waterbury and Willimantic
- CT AHEC Network Pipeline Programs: Youth Health Service Corps, Collegiate Health Service Corps, AmeriCorps
- Veterans' and Mental Health First Aid
- State Innovation Model Grant support – Community Health Worker Workforce Development
- Urban Service Track

Bioscience Connecticut (P.A. 11-75)

Making Connecticut a Leader in Bioscience

Goals:

- Stimulate short and long term economic activity/job creation
- Spur bioscience innovation
- Meet healthcare needs of Connecticut's future
- Provide access to state-of-the-art care

Through January 2017, Bioscience Connecticut facilities and infrastructure projects are 86% complete.

All projects are expected to be completed in 2018.

Facilities and Infrastructure

Construction Jobs

- 5,961 jobs created through January 2017
- 2,744,703 hours worked on the project through January 2017
- 83% of construction contracts awarded to CT companies - valued at \$371.2 million
- Veteran worker participation – 3% (41,840 hours worked)

Small/Minority Participation:

HOSPITAL CONSTRUCTION	REQUIREMENT	PROJECTED
Small Businesses	25%	38%
Minority/Women's/ Disadvantaged Businesses	6.25%	23%

New Hospital Tower



- 169 private rooms
- New and expanded Emergency Department
- New Operating Rooms
- Opened: May 2016

Research Space Renovation



- Renovating 205,000 SF of 238,000 SF of existing UCH research facilities
- Two Projects – 4 phases (Project 1 is complete, Project 2 completion early 2017)
- 28,000 sq. ft. incubator lab addition to Cell & Genome Sciences Building to foster new business start-ups: Completed January 2016

Education Construction



- Allows for growth in Schools
- Supports new, modern curriculum, including Team Based Learning
- Addition and Renovations to Academic Building
- Construction completion: Addition - Summer 2016; Renovations – May 2017

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Outpatient Pavilion



- 306,000 sq. ft., state-of-the-art, multispecialty outpatient clinical building on lower campus (opened in January 2015)
- 1400 car parking garage (opened in November 2013)
- Private financing through TIAA-CREF \$203M

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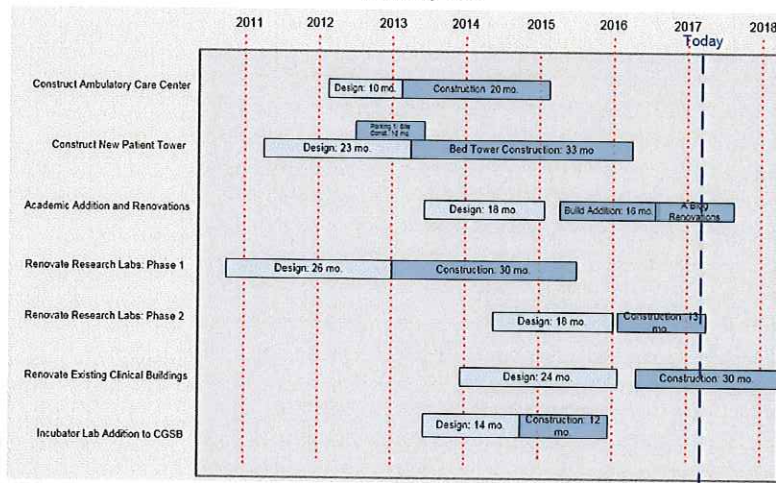
Jackson Laboratory for Genomic Medicine

- Internationally renowned research leader
- New building on lower Health Center campus dedicated to personalized medicine
- Collaborating with universities and hospitals in the region
- Opened October 2014



Facilities and Infrastructure Timeline

February 2017



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